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August 15, 2002

BY E-MAIL AND BY HAND

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: D.T.E. 02-38

Dear Ms. Cottrell:

Solutia Inc., ("Solutia") submits this letter as its reply comments in the Notice of Investigation into Distributed Generation issued by the Department of Telecommunications and Energy in D.T.E. 02-38.

Solutia is currently a customer on the Western Massachusetts Electric Company Standby and Supplemental Power Service for Partial Requirements General Service Customers Schedule PR, MDTE No. 1013H ("Rate PR"). Rate PR is not available to new applicants after September 17, 1999 per order of the Department in D.T.E. 97-120 (September 17, 1999) at 165. In addition, the Department in its Order stated that Rate PR would be open only to existing customers during the transition period "so long as they remain under standard offer service." Id.

Solutia's current cogeneration facility is a 5.7 MW unit and accordingly it is most interested in the design of the successor rate to the current Rate PR for customers that purchase supplemental, maintenance and backup service at primary voltage. Solutia will not attempt to opine on rate design for small residential applications such as PV, solar or wind generation.

Solutia will limit its reply comments to respond to certain matters raised by Western Massachusetts Electric Company ("WMECo") in its initial comments regarding standby service tariffs. The failure of Solutia to respond to the comments of any other party regarding such tariffs does not indicate its agreement with such comments.

WMECo in its introduction to the issue of standby rates states that "[s]tandby rates are an important consideration in making the decision to install DG..." WMECo Initial Comments at 5.

Solutia agrees. Then WMECo goes on to state that “the real issue is not the rate, but rather the cost to provide the service. For the most part, WMECO’s tariffs appropriately recover the fixed costs of providing distribution and transmission service.” Id. Solutia agrees that the current Rate PR as designed and approved by the Department was a cost-based rate. WMECo then goes on to state that “[s]tandby rates should accurately reflect costs so that inefficient DG will not be installed based on rate subsidies from other customers.” Id. Again Solutia agrees with WMECo’s overview of standby rates.

WMECo suggests a general rate structure for standby rates that “[t]o the extent demand charges are used, rates should be based on customers’ potential maximum demands...charges should be based on contractual maximum demand commensurate with the utility’s potential delivery obligation, not actual demand.” WMECo Initial Comments at 6-7. Solutia DOES NOT agree.

Solutia indicated in its initial comments that any unbundled partial requirements rate should properly reflect the usage characteristics of partial requirements customers and must comply with the rate design provisions in 18 C.F.R. 292.305(c) issued by the Federal Energy Regulatory Commission ("FERC") under the Public Utility Regulatory Policy Act ("PURPA"). Solutia believes that WMECo’s general structure for the design of unbundled distribution standby rates fails to comply with these requirements. The WMECo design for demand charges assumes an equivalent of a 100% distribution demand ratchet for standby customers and assumes that standby customers peak usage is 100% coincident with the distribution design peak. There is no evidence that supports such assumptions. Moreover, existing rate design in Massachusetts for large full requirements customers is not based on demand ratchets or contract demand and such design features should not apply to large partial requirements customers.

As the current Rate PR for WMECo was designed as a cost-based rate, it should be the starting point for any proposed change for customers that purchase supplemental, maintenance and backup service at primary voltage.¹ As there are existing customers on Rate PR there should be usage data available to properly design a rate for such cogeneration customers. If a generic rate design for large cogeneration facilities is to be considered, data from other utilities concerning the usage characteristics of cogeneration on their systems should be made available. All existing cogenerators should have access to such data and an opportunity to provide further comments and submit expert testimony, if necessary. Any change in standby rates for existing customers can have a significant adverse impact on such customers. Due process requires a careful review of these matters.

¹ Solutia does agree with WMECo’s comments that transmission service pricing should reflect current FERC regulated transmission tariffs that establish monthly charges based on contribution to the transmission providers network peak load. Thus, a standby customer should pay for transmission costs based on its contribution to this monthly peak. For large customers there should be an option in the retail tariffs that it may become an eligible customer under the FERC transmission tariff where it would pay for costs incurred and no transmission charges under the retail tariff.

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Solutia appreciates the opportunity to submit these comments and will actively participate in the development of standby rates for exiting cogeneration customers.

Very truly yours,

A handwritten signature in black ink, appearing to read "Andrew J. Newman".

Andrew J. Newman

AJN/lms

cc: William H. Stevens, Jr., Hearing Examiner
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